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Programme budget for the biennium 1998–1999

Report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

Thirteenth report: Development Account

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General on the utilization of the development dividend and on the modalities for operating the account (A/53/374/Add.1 and A/53/945). During its consideration of the reports, the Advisory Committee met with representatives of the Secretary-General, who provided additional information.

2. The Advisory Committee recalls the reports issued to date containing its observations and recommendations on the subject of the Development Account entitled "Reduction and refocusing of non-programme costs" (A/52/7/Add.10), "Utilization of the Development Account" (A/52/894 and A/53/7/Add.4) and "Development Account" (A/53/7/Add.1).

3. Moreover, in its previous report on the Development Account (A/53/7/Add.1) the Advisory Committee welcomed the fact that a number of its observations and recommendations, as contained in its two previous reports, had been taken into account. The Committee notes that the report of the Secretary-General contained in document A/53/945 is broadly in line with the views expressed by the Committee in its previous report. However, the Committee reiterates its recommendation that section 33 of the programme budget be entitled "Supplementary development activities" and that the term "Development Account" be reserved for financing, accounting and auditing purposes for the sake of clarity, as already indicated in its report (A/53/7/Add.1, para. 15).

4. The report of the Secretary-General (A/53/945) outlines the modalities for the use and operation of a proposed special account or supplementary development activities of a multi-year nature, to which amounts appropriated to a related budget section would subsequently be transferred. As indicated therein, this would allow for the handling of projects on a multi-year basis, while the regular budget section appropriation would be handled in a biennial framework. The Advisory Committee notes that this would address the limitations imposed by article IV of the Financial Regulations and Rules of the United Nations, in particular regulation 4.3, which limits the availability of appropriations to 12 months following the end of the financial period to which they relate. It is also in accordance with rules 106.3 and 106.4, which allow for the establishment of special accounts, with the appropriate authority defining its purpose and limits. The Committee points out that special accounts of a multi-year nature are used for the construction funds and the Integrated Management Information System.

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5. Recommendations of the Secretary-General to the General Assembly for the transfer of resources related to productivity gains from other budget sections to a budget section on supplementary development activities would be contained in the second performance report for the biennium. As indicated by the Advisory Committee in its previous report and also in the report of the Secretary-General (A/53/945, para. 4), these productivity gains would only include gains that have been verified and are sustainable, and that do not have any adverse impact on mandated work programmes.

6. As also indicated in the Secretary-General's report (ibid., paras. 7 and 8), in January of the first year of the biennium, the funds appropriated by the General Assembly under the budget section related to supplementary development activities would be transferred to the special account. Then in the second year of the biennium, after consideration of the second performance report, the productivity gains identified and approved by the Assembly would be transferred to the budget section on supplementary development activities and subsequently to the special account. For illustration purposes, an indicative chart provided to the Committee by the Secretariat, showing the movements of productivity gains through the relevant section of the programme budget and the special account, is annexed to the present report.

7. The Advisory Committee notes that for the proposed programme budget for the biennium 2000–2001 the Secretary-General will propose that the General Assembly appropriate an amount of approximately $13 million for supplementary development activities. The Committee understands that projects related to this appropriation will be considered and approved by the Assembly at its fifty-fourth session.

8. The Advisory Committee recalls, as already indicated in its report (A/53/7/Add.1, para. 9), that once an efficiency gain has been achieved, the relevant transfer, after approval by the General Assembly, would be added to the maintenance base of the budget section that relates to the Development Account. In keeping with standard budgetary practice, it is therefore reappropriated from biennium to biennium.

9. Also in its report, the Advisory Committee indicated it had been informed that possible additional savings arising out of efficiency measures amounting to between $5 million and $7 million could be realized during the biennium 1998–1999 (ibid., para. 8). The Committee was informed, however, that the Secretariat does not expect this amount to be released as projected. In the same paragraph, the Committee also indicated that, at the time, the Secretary-General projected the level of resources resulting from efficiency gains at approximately $53 million by the end of 2001.

10. In this connection, the Advisory Committee notes that the amount of $40 million projected for 2002–2003, as indicated in the Secretary-General's report (A/53/945, annex I.b), should instead read $53 million — to include the $13 million already appropriated for the biennium 2000–2001 and in line with the amount indicated above. Furthermore, the Committee notes that the timetable and reporting frequency shown in annexes I.a and I.b should be regarded as provisional, to be amended and adjusted on the basis of experience. Moreover, the Committee believes that an interim report could be provided at the end of the first year of the biennium on the status of projected productivity gains.

11. The Advisory Committee previously recommended that the maintenance base of the budget section that relates to the Development Account should not be re-costed (A/53/7/Add.1, paras. 9 and 10). Furthermore, gains from currency fluctuations and inflation and savings resulting from underexpenditure resulting from the postponement of activities or inability to implement approved mandates and programmes should not be available for transfer to the Development Account. The representatives of the Secretary-General assured the Committee that this procedure would be followed in implementing the modalities for the operation and use of the resources for the budget section on supplementary activities and the Development Account.

12. The Advisory Committee notes that contrary to its recommendation (ibid., para. 13), the proposed programme budget for the biennium 2000–2001 makes no indication of projections of possible productivity gains. In this connection, the Committee notes that the Secretary-General, in his introduction to the budget, indicated that information regarding initiatives by programme managers to improve productivity and enhance the quality of programme performance was not included because developments precluded such a procedure (A/54/6 (Part one) (i), para. 43). The Secretary-General indicated that once the General Assembly has completed its consideration of matters related to the Development Account it is anticipated that he will be in a position to report on the specific measures he would intend to apply in the context of implementing the budget for the biennium 2000–2001. The Committee will make detailed observations in connection with its examination of the proposed programme budget for 2000–2001.

Utilization of the development dividend

13. The report of the Secretary-General on the utilization of the development dividend (A/53/374/Add.1) has been submitted pursuant to the request made by the General Assembly in its resolution 53/220 of 7 April 1999. The views of the Advisory Committee are contained in its report on this subject (A/53/7/Add.4). The Committee notes that the Assembly approved four of the eight proposals indicated in the report. The proposals have all been reformulated, with the exception of proposal C, as requested by the General Assembly, so that they are in line with the Financial Regulations and Rules of the United Nations and the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation, as revised in its resolution 53/207 of 18 December 1998.

14. The proposals contained in the report of the Secretary-General also take into account the emphasis that should be placed on the promotion of development activities in developing countries and countries with economies in transition, as well as the criteria indicated by the General Assembly in its resolution 53/220: that they have multiplier effects and promote capacity-building primarily in developing countries; that they promote regional and interregional economic and technical cooperation among developing countries; and that they use available human and technical resources from the developing regions. The Advisory Committee was informed that this resulted in a considerable increase in the resources allocated to project F (on-line network of regional institutions for capacity-building in public administration and finance), which increased by $1,015,000, and project H (activities for the implementation of Agenda 21, the Copenhagen Declaration and Programme of Action of the World Summit for Social Development and the Beijing Declaration and Platform for Action), which increased by $1,240,000. The Committee requests that additional clarification be provided to the Fifth Committee in this regard.

Conclusion

15. The Advisory Committee agrees with the proposals made by the Secretary-General in paragraph 15 of his report (A/53/945), and recommends that the General Assembly approve them.

Annex

Indicative chart showing movements of productivity gains through section 34 of the programme budget for the biennium 1998–1999[a] into the special account[b]

(Millions of United States dollars)

		Regular budget section 34			*Special account*		
Action	*Date*	*Resources made available*	*Expenditure*	*Balance*	*Resources made available*	*Expenditure*	*Balance*
Biennium 1998–1999							
Initial appropriation	December 1997	13.1	–	13.1	–	–	–
Transfer to special account as approved by the General Assembly	May 1999	–	13.1	–	13.1	–	13.1
Productivity gains	December 1999	–	–	–	–	–	13.1
Expenditure during 1999 on projects approved by the General Assembly	April–December 1999	–	–	–	–	5.0	8.1
Total	–	**13.1**	**13.1**	**—**	**13.1**	**5.0**	**8.1**
Biennium 2000–2001							
Brought forward from 1998–1999	–	–	–	–	8.1	–	8.1
Initial appropriation	December 1999	13.1	–	13.1	–	–	8.1
Transfer to special account as approved by the General Assembly	January 2000	–	13.1	–	13.1	–	21.2
Expenditure during biennium on projects approved by the General Assembly[c]	January 2000–December 2001	–	–	–	–	7.9	13.3
Expenditure during biennium on projects approved by the General Assembly[d]	–	–	–	–	–	9.1	4.2
Transfer of productivity gains reported for the biennium in the second performance report as approved by the General Assembly[e]	December 2001	31.0	–	31.0	–	–	4.2
Transfer of productivity gains to the special account as approved by the General Assembly	December 2001	–	31.0	–	31.0	–	35.2
Total	–	**44.1**	**44.1**	**–**	**52.2**	**17.0**	**35.2**
Cumulative total	–	**57.2**	**57.2**	**–**	**57.2**	**22.0**	**35.2**

[a] Section 33 of the proposed programme budget for the biennium 2000–2001.

[b] With the exception of the initial appropriation figure for 1998–1999, all figures shown are hypothetical and for illustrative purposes only.

[c] The expenditure relates to projects submitted in document A/53/374/Add.1 in the amount of $12.945 million.

[d] The expenditure relates to project proposals to be submitted as per annex I.a of document A/53/945 for $13.065 million.

[e] Preliminary estimates of $40 million were projected in document A/52/1009 for the biennium 2000–2001. It is assumed that the approved transfers may be a somewhat lower figure.